

BANKING AND INSURANCE QUARTERLY

Information for New Jersey's Banking, Insurance and Real Estate Industries



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PROGRESS ON AUTO REFORM

*A message from
Governor
James E. McGreevey*

Nearly a year ago, I unveiled a plan to overhaul New Jersey's auto insurance system. Thirty years' worth of regulation and frustration had propelled insurance companies to vote with their feet, leaving New Jersey drivers with few choices and little power.

Good drivers with clean records needed weeks, even months, to shop for auto insurance. Some couldn't find coverage at any price. Law-abiding drivers who had never been uninsured saw their coverage expire before they could find a new policy.



On Aug. 7, 2003, Governor McGreevey welcomed Mercury General to New Jersey. Mercury General is the first new auto insurer to enter the New Jersey market since 1996.

In the State of the State Address in January 2003, I proposed sweeping market reforms that would attract new companies, increase competition, and give drivers more choices. It was time to let market forces work for the good of consumers.

See **REFORM**, page 9

COMMISSIONER HOSTS BANKING SYMPOSIUM



Commissioner
Holly C. Bakke

New market opportunities theme of bi-annual event

The message to New Jersey bankers was clear: Brace for a decline in mortgage lending business and pursue other ways to keep profits flowing.

How do our financial institutions accomplish that?

That was the theme of the 2003 Commissioner's Symposium, the bi-annual gathering of banking

executives to discuss market trends and future projections. This year's event was held Oct. 8 at the picturesque Forsgate Country Club, Jamesburg.

"Shifting demographics are causing neighborhoods to change, forcing you to be more innovative in how you adapt to those changes," Commissioner Holly C. Bakke told the audience of 150 banking professionals in her welcoming remarks.

See **SYMPOSIUM**, page 2 and 3

COMMISSIONER HOSTS BANKING SYMPOSIUM



At left, Gov. James E. McGreevey. Above, Sen. Jon S. Corzine with Commissioner Holly C. Bakke. Below left, (from left) DOBI staff Sharon DeLay, Erma Ferraro and Kathleen Kish.



Donald Musso, president of FinPro, Inc., addresses a question from the crowd.



Above, Director H. Robert Tillman, Division of Banking, with Director Donald Bryan, Division of Insurance (seated).



At left, consultant Todd A. Muller speaks to the banking executives assembled at the Commissioner's Symposium.

SYMPOSIUM

Continued from page 1

By adaptation, she meant developing new markets in areas of the state that are underserved, including urban markets, and tailoring products for specific ethnic groups that have developed large clusters in certain pockets of the state.

Perhaps the best example of a bank that successfully adapts to the ethnic market is BPA Bank, which recently changed its name to bcpbank. The bank caters primarily to the Portuguese communities in Newark, Elizabeth, Perth Amboy and Lyndhurst.

"Here, BPA is just another three-letter word, like KFC," explained its chairman and CEO, Pedro Belo. "It appeals to the



Portuguese because they know what the letters stand for, but to other groups, it doesn't identify us as an ethnic bank."

Banco Portugues Atlantico, a subsidiary of Lisbon's Banco Comercial Portugues, is very involved in the communities it serves. Earlier this year, for example, the bank had the winning float in Elizabeth's Portugal Day Parade.

SYMPOSIUM

Continued from page 1 and 2

Belo said he is eyeing the Greek and Brazilian communities for future growth.

Also speaking at the symposium were:

- Rae D. Rosen, a senior economist and assistant vice president of the Federal Reserve Bank of New York, who offered a broad economic outlook as well as a focused forecast for the New Jersey metropolitan region;
- Donald Musso, president of FinPro Inc., a consulting and investment banking firm, who elaborated on how banks could develop new markets;
- Donald Bryan, director of the Department's Division of Insurance, and Todd A. Muller, a consultant with AON Risk Management Services, who talked about ways in which banks could get into the insurance business;
- Gregory W. Adkins, vice president of the New Jersey Commerce and Economic Growth Commission, who underscored the advantages to serving urban and ethnic markets and ways in which the state could help;
- James H. Carr, senior vice president of the Fannie Mae Foundation, who presented a national perspective on ways in which banking institutions could serve the urban, ethnic and under-served markets; and
- John "Buz" Gorman, general counsel for the Conference of State Bank Supervisors (CSBS), who provided an update on federal legislation;
- New Jersey's senior U.S. senator, Jon S. Corzine, a member of the Senate Banking, Housing and Urban Affairs Committee, who addressed the need for financial literacy;

- Keynote speaker Gov. James E. McGreevey, who talked about the state's plan for economic growth in which he urged private business to help startups in the biotech industry get the financing they need to grow.

The Department plans to begin holding the Commissioner's Symposium annually. Plans are already in the works for next year's event.

NJDOBI, FDIC PRESENT BANK DIRECTORS' COLLEGE ON CORPORATE GOVERNANCE

On October 23, 2003, the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation



Director H. Robert Tillman,
Division of Banking, NJDOBI

(FDIC) presented the New Jersey Bank Directors' College on Corporate Governance at the Hilton Woodbridge. This initiative expanded upon the Directors' College program previously offered by the FDIC and DOBI to address many of the year's governance issues and recent changes in the regulatory environment: Sarbanes-Oxley Act implementation, audit committee quality, current banking and economic outlooks, USA Patriot Act compliance, director responsibilities and liability, and compensation.



**Kathy Kalser, Regional
Manager of FDIC NY
Region, Division of
Insurance and Research**

The program featured a faculty of high-level bank regulators, seasoned CEOs, and prominent legal and governance practitioners discussing issues directors face

in carrying out their duties and meeting their responsibilities.



Christopher Spoth,
Regional Director
of FDIC NY Region



From left, Mortimer O'Shea, CEO of HillTop Community Bank; Michael Horn, former Commissioner of the Department of Banking and a partner in McCarter & English, LLP; Doreen Eberly, Deputy Director, FDIC; H. Robert Tillman, and Christopher Spoth.

COMING TO AMERICA

Macedonia banker visits U.S., works with DOBI regulators

Where in the world would you go to get up to speed on the latest computerized applications for bank examination techniques? The United States, of course.

So, when Goran Jankoski was picked by the governor of the National Bank of the Republic of Macedonia to devise and implement standards and procedures for the bank's information technology program, he naturally boarded a plane bound for Washington, D.C.

"The governor took me aside and said you must do all the legislation and regulations, and make controls for the bank," Jankoski said during a recent visit to New Jersey. "My main goal was to come to the United States to see how they work as on-site IT examiners."

A big job for the 29-year-old banker, to be sure, but Jankoski is a bright young man and he says he is up to the task.

"Two groups are helping us," Jankoski said of the monetary aid his country is receiving. "The United States Agency for International Development (USAID), and the European Bank for Reconstruction and Development (EBRD)."

It is through these two organizations that Jankoski's two-week U.S. trip was made possible. Both groups are committed to improving economic and social conditions in Macedonia and elsewhere, and have provided millions of dollars in financial assistance.



Macedonia is a former Yugoslav Republic that is roughly the size of Vermont. While still one of the poorest countries in Europe, it has made considerable progress with economic and democratic reforms since it first gained independence from Yugoslavia in 1991. Since then, with nearly \$273 million from USAID through Support for East European Democracy (SEED) assistance, Macedonia has established a framework of laws and policies at the national level. SEED assistance for FY 2002 is \$49.5 million.



Goran Jankoski, a senior supervisor for the IT Department of the National Bank of the Republic of Macedonia, is joined by (from left, standing) Robert H. King, president of Sterling Bank in Mount Laurel, and DOBI banking examiners Vijay Sukheja, Richard Abdill and Raymond Weicker.

The EBRD is joining international efforts to support Macedonia to accelerate structural reform and to give fresh drive to private enterprise development, in line with the government's resolve to boost economy and create new jobs.

Results include a stabilized economy, a sounder financial system and a growing private sector, where investment is now being encouraged. Following a serious economic downturn from 1991 to 1996, Macedonia's economy was experiencing accelerated real growth, from 1.2 percent in 1996 to 4.3 percent in 2000, with a drop in inflation from over 600 percent in 1992-94 to only 0.6 percent in 1997-99.

While reforms help create an environment conducive to economic growth, many firms continue to be hindered by a lack of business experience and foreign investment. USAID is providing critical assistance to enterprises through a business resource center, trade and investment facilitation and other advisory programs. By creating a visible core of efficient enterprises, USAID is helping to create a catalyst for economy-wide reform.

GORAN

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Technical assistance, such as the kind being afforded to Jankoski, is being provided to the National Bank and commercial banks in the area of banking supervision.



Back home, as senior supervisor for the IT Department of the National Bank of the Republic of Macedonia, Jankoski was looking forward to spending time at the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Federal Financial Institutions Examination Council.

But he got an extra bonus, too!

Through efforts of the Financial Services Volunteer Corps (FSVC) and the New Jersey Department of Banking and Insurance, Jankoski was scheduled to spend three days at a state-chartered bank to participate in an on-site electronic examination.

Robert H. King, president of Sterling Bank in Mount Laurel, was more than happy to play host to Jankoski.

“We’re glad he came,” said King, whose bank has grown from a double trailer and six employees in 1990 to six modern locations with 85 employees. “We get an international perspective of our business – another part of the world’s view of what we do. The challenges are similar. That additional, unique view is how we benefited.”



Jankoski made some unexpected new friends in New Jersey. During his three-day stay at Sterling Bank, he worked alongside state banking examiners Raymond Weicker, Richard Abdill and Vijay Sukheja.



From left (standing), Robert H. King, Goran Jankoski, Vijay Sukheja, Raymond Weicker and Richard Abdill. Seated are Jennifer McClune, left, and Lorraine Lopez, examiners from the Federal Reserve Bank of Philadelphia.

Below, Goran Jankoski and Robert H. King.



“I came here thanks to Sterling Bank and the Department of Banking and Insurance for on-site supervision to see how all these procedures and methodology is implemented in the field,” Jankoski said.

At Sterling, the examinations team was busy inspecting and ascertaining the safety and soundness of the bank’s IT systems. Tellers punch account numbers into the computer and send electronic information to a mainframe, which in turn forwards information back to the teller. IT examiners examine that transfer of information to evaluate what measures are in place to make sure it is secure and properly fire-walled.

These kinds of security issues are magnified in Macedonia, because the banks there are not part of a closed system. Rather, because 60 percent of the money is foreign capital, they are considered open systems with lots of cross-border issues.

“Someone from outside Macedonia could mess with the system and we would not be able to find them because they might be outside our jurisdiction,” Jankoski said.

Upon his return, Jankoski’s job is to devise regulations that all banks in Macedonia will follow and draft model legislation to protect them. To that end, he is mailing reams of information developed by U.S. regulators back to his hometown, “because I only brought one extra suitcase,” he said.

“I will try to decide what is the best solution for my country and draft regulations,” he added.



While in Washington, Jankoski saw the U.S. Capitol building and strolled along the Washington Mall. He also visited Philadelphia, where he saw the Liberty Bell. The thing he enjoyed most about his visit to America was the shopping and going out to eat.

“The food is more delicious here,” he said.

PREDATORY LENDING LAW DESERVES A FAIR CHANCE

As Banking & Insurance Quarterly went to press, licensed mortgage lenders seeking to comply with the New Jersey Home Ownership Security Act received some welcome news: Standard & Poor's will rate all but the highest-cost loans in New Jersey. With favorable reviews from Moody's and Fitch already in hand, this change by S&P clears the way for a vibrant loan market with important consumer protections.



**Commissioner
Holly C. Bakke**

Thanks to the hard work by the Division of Banking and the Office of Regulatory and Legislative Affairs, both lenders and consumers can look forward to an era of increased competition and fair prices. I must commend Banking Director H. Robert Tillman for his hard work to help both the industry and the rating agencies understand how this law will work.

The Home Ownership Security Act, signed May 1, 2003, involved extraordinary efforts by all stakeholders and the Legislature to create a balanced law that would shield consumers from paying more than they should while maintaining a healthy market for lenders. An analysis by the Department of Banking and Insurance found that only about 5 percent of all loans granted in 2002 would have been significantly affected by the law.

Unfortunately, as the implementation date for the law approached, some in the mortgage industry resisted these changes. Rather than educate lenders and brokers on ways to comply with the law, some large players spent considerable time and money spreading fear and misinformation throughout the industry. They asserted, incorrectly, that the law cannot work. Local lenders who attended our workshops were surprised when they heard how easy it will be to comply.

Opponents to the law launched a Web site and radio ads that claimed homeowners no longer would be able to cash out on a refinancing or be able to obtain a second mortgage. In an effort to drum up business, they urged consumers to borrow money before the effective date of the Act or lose the opportunity to do so. Our view is that such steps are predatory – and we plan to investigate these actions.

Our lenders and brokers deserve better from their industry leaders.

Home ownership is the American dream. High-cost loans, balloon payments, home rehabilitation scams and a practice called “flipping,” whereby lenders continue to provide homeowners with new loans – and continue to charge thousands of dollars in up-front fees – can sometimes rob people of their dreams. That should not be.

Thanks to the new predatory lending law, New Jersey homeowners are now protected. Unlike similar efforts in other states, the New Jersey law is fair to lenders while providing adequate protection to consumers.

It prohibits only a few practices for all “home loans” and “covered loans,” such as financing credit insurance, encouraging default, charging late fees in excess of 5 percent, accelerating debt at the creditor's discretion, and charging for payoff information. For “high-cost” loans, the law bans a long list of additional practices, including most balloon payments, negative amortization, increasing rates after default, inconvenient arbitration standards, charging modification fees, and financing points/fees in excess of 2 percent.

The law operates based on whether the rates or costs of a loan are above or below certain triggers. If the law is properly followed the law will not significantly affect most lenders at all. In fact, the law is designed to impact an even smaller portion of the licensed lending industry than initially expected.

To help lenders comply with the law, the Department discussed critical elements of the law with industry leaders, and held six workshops for licensed lenders. We also spent hours talking with the credit rating agencies, resulting in Moody's and Fitch agreeing to rate most New Jersey loans, and Standard & Poor's agreeing to rate “covered” purchase money loans. According to Moody's, “the law provides clear and objective standards that define the thresholds between home loans, covered home loans and high-cost loans that should permit lenders to establish effective compliance procedures.”

REAL ESTATE COMMISSION UPDATES

Re-Adoption of REC Regulations Proposed

Under the sunset provisions of Executive Order No. 66 (1978) the Real Estate Commission's regulations are due to expire and must be re-adopted. The Commission has reviewed all of the regulations, and has determined that they are necessary, reasonable and proper for the purpose for which they were promulgated. The Commission concluded that some amendments to the rules proposed for re-adoption are necessary. The proposed rules and the re-adoption were published in the New Jersey Register on Oct. 20, 2003, at page 4812. Copies of the entire proposal have been sent to all licensed real estate brokers, schools, directors and instructors. The proposal can also be viewed on the Department of Banking and Insurance Web site, www.njdobi.org. If you wish to receive a copy, you may request one by writing to:

Dawn M. Rafferty, Executive Director
(Regulation Re-adoption)
New Jersey Real Estate Commission
P.O. Box 328
Trenton, N.J. 08625-0328

Written comments on the regulations may also be submitted to Director Rafferty at the above address and must be received by Dec. 19, 2003.

Do-Not-Call Lists

Please be advised that the recent legislation (federal and New Jersey) affecting telemarketing and creating the Do-Not-Call Lists **applies to real estate licensees**. There are substantial fines for violating these laws. Please consult your firm's legal counsel to develop compliance procedures. Violation of either federal or New Jersey law could have an impact on your real estate license.

Have You Renewed Your License?

If you have not renewed your license for the 2003-2005 term, your license has expired and you are engaging in **unlicensed activity**. Not only will you be subject to fines and penalties by



the Real Estate Commission, but under N.J.S.A. 45:15-3, **you are not entitled to collect commissions** on your transactions. This applies to **all** licensees, so if a broker fails to renew, then the licenses of all salespersons and broker-salespersons employed with him are affected. This also means that each salesperson will show a break in licensure, which may impact his eligibility to qualify for a broker's license in the future. The Real Estate Commission has sent notices to every broker who has failed to renew his license. If there is any question at all about the status of a license, please refer to the Department's Web site, www.njdobi.org, or call (609) 292-3500.

Brokers Held Responsible for Failing to Process License Applications

Brokers, you are responsible for promptly processing applications for the licensees

you hire. The Real Estate Commission has heard several license appeals where applicants provided a completed license application to their broker and the broker or the broker's license processor failed to submit the application to the Commission. An applicant has one year from the date he completes the pre-licensure education course to pass the state examination and apply for a license. Submitting an application to an employing broker within the one-year timeframe is not sufficient. **The completed application with fee must be received by the Commission by the one-year deadline.** The Commission has issued fines to brokers who fail to promptly process such applications based on N.J.S.A. 45:15-17(e), conduct demonstrating incompetency. Repeat offenses may result in action to suspend or revoke the broker's license.

Real Estate Commission Goes on the Road

Responding to the objectives set forth by Governor James E. McGreevey and Commissioner Holly C. Bakke to "reach out" to the industry we regulate, the New Jersey Real Estate Commission has developed an "Outreach Program." The Commission has begun leading presentations on rules and regulations, addressing the topics that agents seem to be in violation of most frequently. The Commission has offered more than a dozen presentations this year, attending Realtor Board functions as well as addressing groups of agents that are not members of a Board.

DON'T BE COMPLACENT; BE COMPLIANT

COMMISSIONER: HEALTHCARE SYSTEM COULD GRIND TO HALT

TRENTON – Remember the hype about Y2K, followed by a meltdown that never came?

Another computer-related milestone threatens to cause the healthcare system to grind to a halt, leaving doctors unpaid and blocking patients' access to medical services.

But unlike Y2K, where the ramifications from failing to prepare were unpredictable, there is no question that failure to prepare for this milestone will be devastating.

The Health Insurance Portability and Accountability Act of 1996 mandates uniformity in the electronic transmission of medical claims, which promises to save billions of dollars in the healthcare system while ensuring fairness.

Although it is much more likely to wreak havoc than Y2K, the onset of HIPAA was getting very little attention.

However, Commissioner Holly C. Bakke and Enforcement Manager William O'Byrne have changed that by spreading a simple but urgent message: Don't be complacent. Be compliant.

The federal law set an Oct. 16, 2003, deadline by which all Medicare and Medicaid claims must be filed electronically, and all other claims that are filed electronically must meet HIPAA uniformity standards.

Despite mailings by the Department to more than 200,000 medical providers in the state, and many meetings with industry representatives, recent studies showed that most medical providers would not get paid if the deadline were strictly enforced.

"This is the opposite of Y2K, where people feared a meltdown. This situation is just as if not more serious. If doctors don't get paid and can't pay bills, they



**Enforcement
Manager
William O'Byrne**

ultimately won't be able to see patients," Commissioner Bakke said.

Determined to minimize the potential meltdown in the healthcare system, the Department has taken a number of steps – including holding news conferences and issuing bulletins – to let medical providers know that they must comply with the law to avert major cashflow problems.

"Failure to follow the law can mean thousands of doctors, pharmacists, dentists and all other medical providers will not get paid. That is unacceptable," Commissioner Bakke said during a recent Statehouse press conference with officials representing doctors, hospitals and insurance carriers. "We all have an obligation to ensure the delivery of quality healthcare to the public by protecting the economic integrity of healthcare providers."

The federal Centers for Medicaid and Medicare Services (CMS) in the U.S. Department of Human Services has told insurance carriers that they can temporarily continue to process claims that are not 100 percent HIPAA compliant. The Department recently implemented a contingency period, but Commissioner Bakke has repeatedly reiterated that the contingency period will be brief. After that, compliance will be mandatory. The Department also recently issued a bulletin reminding carriers that they are not exempt from state prompt-pay laws, but that the Department will be reasonable in its reviews during this contingency period.

All providers, payers and their trading partners were reminded that they must

have an established plan for the use of HIPAA compliance standards, test the standards and be prepared to demonstrate all compliance training, testing and outreach efforts with trading partners.

New Jersey has emerged as a national leader in the efforts to become HIPAA-compliant, and the consensus guides on the Department's Web site have helped direct insurance departments throughout the country, said Commissioner Bakke.

Commissioner Bakke attributed the success of the consensus guides to the fact that they were developed by a wide range of professionals who comprised an implementation task force formed by the Department.

The Department is also engaged in HIPAA-related efforts outside of New Jersey, as many electronic healthcare claims issues are extra-territorial in nature. The excellent achievements of the task force have been recognized in other states, and the Department has been asked by regional CMS Offices in Atlanta and Dallas to share our guides with 14 states in those territories.

O'Byrne, who was asked to serve on national boards related to HIPAA and has been invited to lecture on the issue throughout the country, participates in regular telephone conferences with insurance departments from throughout the country to help them understand the measures needed to move toward compliance.

O'Byrne, who oversaw the task force, also works daily with insurance carriers, hospitals, doctors and other providers to advise them on measures to become compliant.

"We're grateful for the cooperation of all interested parties in this project, which hopefully will serve as a milestone for the benefits of cooperation," O'Byrne said.

GOVERNOR: PROGRESS ON AUTO REFORM

REFORM

Continued from page 1

It was time to crack down on fraud and uninsured motorists – and squeeze out the costs both add to the system. It was time to stop letting good drivers pay for bad drivers.

Our plan received strong bipartisan support and became law June 9, 2003. But even the optimists among us didn't think our plan would work this well, this quickly.

We have a new auto insurance company. We have more agents. We hear reports that companies are asking agents to boost sales, not hide from customers. We've seen marketing materials offering the best rates to the best drivers. And, we've seen two *voluntary* rate reductions – the first in more than 15 years.

Since I signed auto insurance reform into law:

- A subsidiary of Mercury General, the nation's fastest-growing auto insurance carrier, began selling policies Aug. 7, 2003. The company hired 50 independent agents and plans to hire more.
- Allstate New Jersey will add between 10 and 20 new agents, including the first exclusive agents in a generation. Allstate's expansion will boost availability in fast-growing parts of South Jersey and along the Shore.
- State Farm Indemnity and USAA announced voluntary rate reductions of 4.1 percent and 5 percent, respectively. The moves affect drivers of about 630,000 cars. Neither company could take this step without the new law and the improved regulatory climate.
- Commissioner Holly C. Bakke and I announced New Jersey's "Dollar a Day" auto policy, the first-ever means-tested product that offers emergency room and catastrophic care to certain drivers with Medicaid hospitalization. The addition will reduce the ranks of uninsured with a more generous commission structure than the Basic Policy, which the Legislature created in 1998.

Our early efforts to stem the losses at State Farm Indemnity are working. In October, State Farm Indemnity won permission from Illinois regulators to cease nonrenewing 4,000 cars



John D'Agostino Jr., president of Professional Insurance Agents of New Jersey, speaks with reporters at a press conference on auto reform.

a month, as called for in the Market Stabilization Order of June 2002. While it's too soon to say whether State Farm Indemnity will rethink its decision to leave after 2005, it's not too soon to say the red ink is drying up – well ahead of schedule.

"We know we need more insurance companies, more products, and more competition. The availability crisis is easing, but it isn't over."

We aren't finished. We know we need more insurance companies, more products and more competition. The availability crisis is easing, but it isn't over. We need to do more to make auto policies easier to find in urban areas. We need to increase the ways customers find auto coverage. We can't rest until our drivers can find online quotes, or until our drivers can walk into an insurance office and walk out with a policy.

We've made extraordinary progress and I must commend the hard work of the Department of Banking and Insurance, the insurance trade associations and their member companies.

We're gaining notice around the country for our efforts. Auto insurance companies are calling Commissioner Bakke to learn about coming to New Jersey to do business and it's clear, as we enter 2004, that we're turning the corner.

With all good wishes,

INSURANCE PRODUCER LICENSING UPDATES

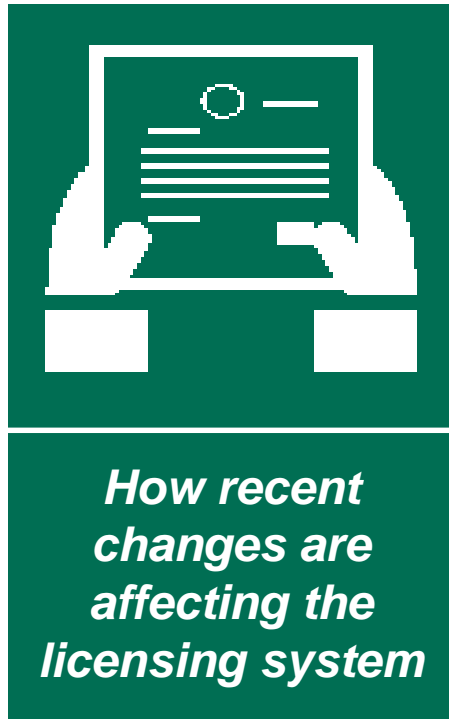
Since the implementation of the Insurance Producer Licensing Act of 2001 to adopt the reciprocity provisions of the federal Gramm-Leach-Bliley Act, there have been many changes to both regulations and procedures in insurance producer licensing. The Department has joined with other states and the National Association of Insurance Commissioners (NAIC) in becoming one of the pilot states for implementation of State Based Systems (SBS), a web-based producer licensing database that is designed to accommodate uniform licensing requirements and will ultimately allow for many online insurance licensing updates and transactions. These changes have temporarily resulted in increased license-processing volume and producer inquiries, causing delays in reaching our license-processing staff by phone and in written communications. We regret this temporary inconvenience but are committed to assuring that the ultimate result of these changes will be license-processing efficiencies and increased levels of service to you.

We have prepared the following information to assist you in understanding many of our changes and to remind you of licensing requirements.

Limited Lines Producers

Under the Insurance Producer Licensing Act of 2001, Limited Insurance Representatives previously registered by insurance companies must now apply for and be approved by the Department as Limited Lines producers. These limited lines are bail bonds, credit insurance, legal insurance, ticket insurance, group mortgage cancellation, self-storage personal property, and special nonresident limited lines (for limited lines offered by other states, but not New Jersey).

As of June 30, 2003, the Department no longer accepts limited insurance representative registrations from insurance companies. Any individual or business entity wishing to be newly appointed as a limited line representative of an insurer must apply for and be granted a producer license by the Department. Under Department Bulletin No. 02-27, limited insurance representatives were advised they have until Dec. 31, 2003, to apply for a license with the Department. After Dec. 31, 2003, individuals and business entity limited insurance representatives who



have not obtained producer licenses will not be authorized to solicit, sell or negotiate insurance. Limited line bail bond producers must complete prelicensing education, pass a licensing exam and complete and submit criminal background forms with license applications. Applications for licensure may be obtained from the Department or downloaded from our Web site, www.njdobi.org.

As limited lines producers, individuals and business entities must comply with all producer laws and regulations for standards of conduct, record-keeping, fees and management of funds. Insurance companies appointing producers as their agents for limited lines must provide notice of appointment and/or termination to the Department in accordance with N.J.A.C. 11:2-17.9

Electronic Nonresident Producer Licensing

Under current insurance laws, if your license is in good standing in your home state, you may apply for a license in New Jersey simply by completing the application for any or all of the lines of authority you have in your home state and paying the required application fee. The fastest way for you to obtain a nonresident license for major lines of authority is to apply online through the National Insurance Producer Registry (NIPR), a nonprofit affiliate of the National Association of Insurance Commissioners (NAIC). New Jersey has joined approximately 20 other states in participating in Electronic Nonresident Licensing (ENRL). This online application is designed to accelerate the nonresident licensing process. ENRL is currently only available for new licenses or for adding new lines to an existing license. To learn more about NIPR and the online electronic nonresident licensing application process, visit their Web site at <http://www.licenseregistry.com>.

New License Format

Beginning with the Oct. 31, 2003, renewals and for all new license applicants or those making changes to existing licenses, licensees will receive licenses without printed expiration dates. The insurance license remains in effect unless revoked or suspended provided that the fee set forth in N.J.A.C. 11:17-2.12 is paid and renewal requirements set forth in N.J.A.C. 11:17-2.5, including continuing education requirements for resident individuals, are met by the renewal effective date. Many states al-

LICENSING*Continued from page 10*

ready issue licenses without expiration dates, and insurance companies can verify licensing status via the National Insurance Producer Database (PDB) maintained through the National Association of Insurance Commissioners (NAIC) or by viewing the Department's licensee search on our Web site at: <http://www.state.nj.us/dobi/licenseesearch/licsearch.htm>.

Requests for Certification of Insurance Producer License Status

With the implementation of the National Insurance Producer Database (PDB) through the National Association of Insurance Commissioners (NAIC) and the movement toward uniform licensing procedures and reciprocity for nonresident licensing, the vast majority of states no longer require hard copies of letters of certification for new and renewal nonresident applications. Many states will check the status on PDB or accept a current (within 90 days) print-out of the resident license status screen from PDB.

To alleviate delays in processing your nonresident applications or renewals, we suggest that you contact the licensing department for the state to determine if they still require letters of certification. By working toward eliminating this processing function, we can better serve your other licensing needs.

Variable Lines Authority Requests

Under Department Bulletin No. 02-27, currently licensed producers with life authority were advised that they could complete a form providing their NASD CRD number to add variable authority to their existing licenses. Producers have until Dec. 31, 2003, to request this addition without paying the \$20 processing fee. Due to limitations of our prior licensing system, we were unable to add these lines to current licenses. The Department has now implemented the new SBS license processing system and we are processing these requests. Due to the volume of requests, these additions may take several months to complete. Licensees who submitted the request forms will receive new licenses showing the variable authority. If you submit a request prior to the end of this year and have life authority and the NASD CRD number, you can be assured that we will honor your request without charging the processing fee. Thank you for your patience as we process these changes.

Health Authority for Producers who had Property and Casualty Authority Prior to Nov. 4, 2002

Under Department Bulletin No. 02-27, producers with property and casualty authority prior to Nov. 4, 2002, who wished to

retain their health authority were advised they could complete and submit the form available on the Department's web site by Dec. 31, 2003. Since these producers already have a license reflecting the health authority, they will not be receiving a new license upon submission of the request. Producers who have submitted the request need take no further action.

NJDOBI RECEIVES LOMA EDUCATION AWARD

For the second year in a row, the New Jersey Department of Banking and Insurance has been recognized by LOMA for excellence in insurance and financial services education. The Department received the Excellence in Education Award at LOMA's 2003 Annual Conference, held in September in San Antonio, Texas.

The award recognizes the Department's efforts at developing human resources through the use of LOMA's education programs. Award criteria focuses on superior examination grades and continual average growth in enrollment numbers during the previous year. Specifically, the criteria require that a company or organization achieve a pass rate in the top 25 percent of participating companies; exhibit growth in the numbers of employees enrolled; be a regular, associate, or affiliate member of LOMA, and enroll employees in a minimum of 20 exams throughout the calendar year.

From LOMA's 1,250 member companies, 84 received the Excellence in Education award this year. New Jersey joins the California Department of Insurance, a three-time winner, and the Texas Insurance Department, a first-time winner, as the only state insurance departments to receive this honor.

Founded in 1924 by U.S. and Canadian insurers, LOMA is an international association through which more than 1,250 insurance and financial services companies from more than 60 countries engage in research and educational activities to improve company operations.

SECOND CONSUMER CENTER OPENS IN CAMDEN

CAMDEN - On July 30, New Jersey Banking and Insurance Commissioner Holly C. Bakke opened the Department's new Camden Consumer Center, a satellite office where consumers can seek help with problems in banking, insurance or real estate.

The satellite office, which is located at 101 Haddon Ave., will also serve as an education center for consumers.

"We want consumers to know that we are here to help," Commissioner Bakke said. Commissioner Bakke noted that the Camden Consumer Center is in a downtown location easily reached by public transportation. She also said it will be easier for many South Jersey residents to go to the new office instead of having to travel to Trenton.

"We want to make it more convenient for consumers who need us," Commissioner Bakke said.

In September 2002, the Department opened the Newark Consumer Center on Halsey Street to provide a more convenient source of help for residents who live north of Trenton.



At the ribbon-cutting ceremony for the Camden Consumer Center are from left, Linda Boone, Commissioner Holly C. Bakke, Director of Banking H. Robert Tillman, Camden Mayor Gwendolyn Faison, Sen. Wayne R. Bryant, Director of Insurance Donald Bryan and Jim Lavery.

Department staff in both offices are available to answer questions, help solve problems, or take formal complaints.

Residents can learn how to shop for auto insurance, what rights they have when dealing with health insurers, or whether a lender or real estate broker has a current license. The center also features a computer for those who lack access to the Internet and the Department's Web site.

In the future, the Camden Consumer Center, like the one in Newark, will offer programs on how to avoid insurance and Medicare fraud, identity theft, predatory lending and home-repair scams.

"These problems ultimately lead to higher insurance and banking costs for everybody, but they hit the urban residents the hardest," Commissioner Bakke said. "We already present these programs to civic groups and senior citizen associations, but having a permanent South Jersey center will help us reach more people."

UCJF TRANSFERS FUNCTIONS, FILES TO PLIGA

The primary focus of the New Jersey Automobile Insurance Competition and Choice Act was to improve the auto insurance market in New Jersey by attracting more competition, thereby giving consumers the choices they need and deserve. However, the legislation also sought to achieve efficiencies in some claims-based functions. To that end, the Act transferred non-regulatory functions, the Unsatisfied Claim and Judgment Fund (UCJF), the New Jersey Automobile Full Insurance Underwriting Association (NJAFIUA) and the Market Transition Facility (MTF) to a claims-handling entity. Under the Act, the responsibility of these organizations is to be assumed by the New Jersey Property - Liability Insurance Guaranty Association (PLIGA), a nonprofit, statutory entity.

On Sept. 15, the Department issued an order effectuating the transfer of functions and files to PLIGA. Due in large part to the cooperation and assistance of the Department's UCJF, this transfer process has been orderly and smooth, significantly reducing the chances of disruption for the claimant. DOBI's UCJF team has provided the technical expertise and support essential to meet the objectives of the legislation as efficiently as possible. Their continued hard work and dedication is appreciated.

Additionally, the Department is pleased that every UCJF employee has chosen to remain with DOBI, lending their talents to various consumer protection, administrative, and technical roles throughout DOBI.

RULE ADOPTIONS

The Office of Legislative and Regulatory Affairs adopted the following rules during the period between July 1, 2003, and Sept. 30, 2003. Copies of these rule adoptions can be viewed on the Department's Web site, at

<http://www.njdobi.org/adopt.htm>

Actuarial Requirements for Flexible-Factor Policy Forms Adopted Amendments: N.J.A.C. 11:4-47.2, 47.3 and 47.5 Adopted Repeal and New Rule: N.J.A.C. 11:4-47.4 Adopted Repeals: N.J.A.C. 11:4-47.6 and 11:4-47 Appendix	07/07/03
Health Benefits Plans Prompt Payment of Claims Denied and Disputed Claims Adopted Amendments: N.J.A.C. 11:22-1.3, 1.5, 1.6 and 1.8	07/07/03
Pinelands Developments Credit Bank Rules Readoption: N.J.A.C. 3:42	07/21/03
Financial Examination Monitoring System (FEMS) Readoption with Amendments: N.J.A.C. 11:19	07/21/03
Health Benefits Plans Prompt Payment of Claims Denied and Disputed Claims Adopted Amendment: N.J.A.C. 11:22-1.6	08/04/03
Group Self-Insurance Joint Insurance Funds Adopted Amendments: N.J.A.C. 11:15-2.6, 2.25, 3.6, 3.25, 4.6, 4.25, 5.6, 5.25 and 6.24	09/15/03

CONSUMER SERVICES UNIT SAVES HOMEBUYER \$79,200

Employees at the New Jersey Department of Banking and Insurance are dedicated to protecting consumers, which is why a recent letter from a homebuyer who will save thousands of dollars on a loan due to our intervention was so gratifying.

The letter writer, a Long Branch resident, complained that he was being taken advantage of by Royal Mortgage, which "locked in" a rate of 5 percent and then, 55 days into the 60-day lock-in period, announced to the prospective buyer that they could not close the loan in time. Instead, Royal offered a new rate of 6.25 percent.

"Their response, that if I wanted to back out I wouldn't suffer as I will get my application fee back, didn't quell my emotions, especially when I didn't get a response as to who was going to reimburse me the \$475 appraisal fee and ... the \$220 I would lose per month for 360 months in savings over my former rate," the consumer wrote.

Staff commended for consumer assistance with mortgage company

"This equates to \$79,200 out of my pocket," he added.

Through a newspaper story in the Trenton Times addressing lock-in rates in general and Royal Mortgage in particular, the letter writer said he had contacted others who had the same experience with Royal and was preparing to seek legal recourse until he learned of Connie Ferrigno "and her wonderful staff" in our Consumer Services Unit.

"Ms. Ferrigno's office acted quickly and kept us updated," he wrote. "We were quite overwhelmed with the skill and tenacity observed in the Division of Banking, Consumer Services Unit."

In August, after receiving numerous complaints about the Princeton-based mortgage company, Ferrigno investigated and ultimately convinced Royal to honor the original lock-in agreements not only for the 10 consumers who complained, but

for some 300 customers whose lock-in rates had expired due to Royal's inability to close the loans.

The Department found that due to Royal's marketing strategy of accepting loan applications via the Internet, it did not have enough staff to handle the volume of applications that came in, nor was it able to answer telephone calls from consumers who were questioning the status of those loan applications.

Since then, Royal has been acquired by Empire Equity of New York, a large national mortgage lender, which has a greater loan-processing capability.

"Sometimes it takes a letter like this to appreciate how deeply our assistance impacts peoples' lives," Commissioner Holly C. Bakke said. "Connie and her staff are to be commended for their commitment to helping consumers – something they do every day."

INSURANCE

James G. Jones, Warren; \$500 – Failed to reveal on a license application two disorderly persons offenses from 1970.

Wolf Landau, Brooklyn, NY; \$1,000 – In July 2001, Landau disseminated an advertisement for term life insurance prior to the policy form being filed with the Department; also failed to identify the name of the insurer he was representing or to disclose the nature of his relationship with insurer.

Gillian McHugh, Glen Gardner; \$250 – Failed to notify the Department of a change of address.

Christa Jo Martinez, Millburn; \$750 – Submitted an application for automobile insurance to a company without completing all of the questions asked on the application.

Joseph Muend, Jackson; Revocation – Solicited and negotiated a bail bond without being registered as a limited insurance representative.

Guy Thomas, West Bloomfield, MI; \$750 – Transacted insurance business after his license had expired.

Jeffrey Stein, New Brunswick; \$1,500 – Transacted insurance business using the trade name “Best Way Bail Bonds” without having the name registered with the Department.

Dental Group of New Jersey, Inc., Linden; \$2,100 – Failed to file a financial report for the year 2002 that was due by March 1, 2003.

United Health Care Insurance Co., Hartford, CT; \$20,000 – From September 2002 to March 2003, charged certain Small Employer health benefits policyholders premiums higher than the rates on file with the Department. During the same time period charged for optional prescription drug benefits for which no rates were on file with the Department.

Thomas Ruggiero, Wellesley, MA; \$500 – Issued a check for his insurance producer license in the amount of \$300 which was returned for insufficient funds.

Preferred Adjusting Co., Little Silver; \$500 – On Jan. 8, 2003, issued a check in the amount of \$900 for payment of a public adjuster license renewal fee which was returned for insufficient funds.

John Barney, West Warwick, RI; \$2,000 – From Jan. 31, 2000, to June 12, 2000, transacted insurance business after his insurance producer license had expired on Jan. 31, 2000.

Henry Sulikowski and No Jail Time Bail Bonds, Jackson; \$500 – On Feb. 3, 2003, executed a bail bond for a premium which was below the rates filed by the Surety Company with the Department.

Christopher Levine, Stamford, CT; \$500 – On Oct. 3, 2002, issued a check in the amount of \$300 for his license renewal fee, which was returned because of insufficient funds.

Nu Tech Title Agency and Fred Reimer, South Orange; \$500 – During the years 2002 and 2003, operated a branch office from 71 Valley St., South Orange, without registering the branch office with the Department.

T.A. Title Insurance Co., Media, PA; \$500 – In October 2001, contracted with Title Alliance of Cape May County to create an agency relationship, but failed to notify the Commissioner of the contract.

Ernest F. Mason, Little Silver; \$1,000 – Producer conducted business under the name “E F Mason Agency,” a name that was neither his legal name nor the name filed with and approved by the Department.

Marschil Insurance Agency and Frank Schiliro, Englishtown; \$3,500 – During the years 2002 and 2003, issued advertisements soliciting workers compensation and commercial insurance which contained untrue, deceptive or misleading statements.

Acordia Northeast and Louis S. Kohn, Haverford, PA; \$500 – In April 2001, obtained coverage on behalf of a New Jersey risk with an eligible surplus lines insurer without first obtaining surplus lines authority from the Commissioner.

Carman Corporation and Edward E. Snow, Pilesgrove; \$1,000 – In August 1995 and March 1996, charged a fee for services rendered as an insurance producer without first obtaining the written fee agreement. In 1998, utilized fee agreements that did not contain a clear statement as to whether a commission will be received from the purchase of the insurance.

Consumer First Insurance Co., Clifton; \$2,500 – Failed to file in a timely manner the Quarterly Urban Enterprise Zone Exposure Reports that were due the quarters ending Dec. 31, 2002, and March 31, 2003.

Insurex, Inc., and Gregory Gross, Paramus; \$15,000 – During the period of Sept. 1, 2000, through Sept. 30, 2002, charged originating brokers for inspections performed by a firm and individual directly associated with Insurex.

INSURANCE*Continued from page 14*

Health Net of New Jersey, Inc., Shelton, CT; \$5,000 – Used outdated Prevailing Healthcare Charges System profile to pay certain claims in the small employer market.

Adjustco, Inc., Santa Ana, CA; \$7,500 – Unlicensed entity sold auto “wear and tear” waiver insurance protection without the required producer license and placed such coverage with an unauthorized insurer.

AmeriChoice of New Jersey, Inc., Newark; \$25,000 – HMO failed to pay interest on late paid claims. Sanctions imposed: Remediation: Payment of interest to affected providers.

Horizon Healthcare of New Jersey, Inc., Newark; \$200,000 – A market conduct examination revealed instances in which Horizon did not comply with statutes and regulations that impose time constraints on the processing of health care claims.

Lloyds Syndicate #2003, Newark; \$500 – Surplus lines insurer accepted a placement without a surplus lines transaction number.

Oxford Health Insurance, Inc., Trumbull, CT, Oxford Health Plans (NJ), Inc., Trumbull, CT; \$50,000 – Oxford utilized nonconforming internal appeal procedures to adjudicate claim payment disputes. Sanctions imposed: Remediation: Notice to be provided to all potentially affected providers offering further opportunity for review of disputed claims.

Marian T. Wells, Collingswood, and Apple Gate Insurance Agency, Collingswood; \$2,500 – Producers failed to properly complete a CAIP application regarding a risk purportedly located in New Jersey, but in fact located in Pennsylvania.

BANKING**Orders issued from July 1, 2003, through Sept. 30, 2003**

LICENSEE	ORDER TYPE	REASON	ISSUED	EFFECTIVE	STATUS
Brunswick Furniture, Inc.	Notice of Suspension Order	S	07/08/03	08/18/03	Pending Final Order
NSL Check Cashing	Notice of Suspension & Penalty	S-M	07/08/03	08/02/03	Pending Final Order
Rabbit Wholesalers, Inc.	Notice of Revoking License	S	07/08/03	07/28/03	Pending Final Order
Mortgage Warehouse	Notice of Suspension & Penalty	P	07/08/03	09/20/03	Pending Final Order
A&R Check Cashing	Notice of Suspension & Penalty	S	07/08/03	07/28/03	Pending Final Order
Real Money Inc.	Final Order	J	07/08/03	07/08/03	Suspended
Mexi Services	Notice of Suspension & Penalty	P	07/08/03	07/28/03	Pending Final Order
Northeastern Mortgage Investment Corp.	Final Order	J,M	08/20/03	08/20/03	Suspended

J-Failure to file 1999 annual report
S-Failure to file 2001 annual report

M-Failure to file 2000 annual report
***Order Rescinded**

P-Failure to pay penalty

REAL ESTATE

Joseph M. Kuzar, Jr., Mercer County; \$500 fine – In a settlement agreement, Mr. Kuzar agreed to a suspension of his salesperson's license until Jan. 1, 2004, for his failure to disclose pending criminal charges at the time he applied for a real estate license.

Paul Said, Bergen County; \$2,000 fine – Did not contest an allegation of a violation of 45:15-17(e), in bringing unauthorized papers into a broker test site. Must requalify for licensure as a broker-salesperson.

REAL ESTATE*Continued from page 7*

The Commission endeavors to make the presentation interesting, somewhat humorous and especially informative, and the program has been very well received by the real estate industry. One broker commented, “In my almost 34 years in the real estate industry ... I cannot recall such a willingness on the part of the Commission to reach out to the licensees in the way you have.”

A second broker added, “You drew a standing-room only audience of approximately 300 – our typical meeting draws about 185 members on average!”

We encourage licensees to use the Commission as a resource for information. Groups that may be interested in having the Commission offer a presentation should submit a letter of request to Dawn Rafferty, Executive Director, or Ken Stout, Chief of Investigations, at New Jersey Real Estate Commission, 20 W. State St., P.O. Box 328, Trenton, NJ 08625.

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NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE

LENDING

Continued from page 6

If the law is properly followed, we are confident that most lending will not be adversely affected for a number of reasons:

- New Jersey is one of the hottest real estate markets in the country;
- evidence from North Carolina, which has a similar law, shows that it is having its intended effect, substantially reducing loans with predatory terms while increasing loans to borrowers with impaired credit by 31 percent;
- the portion of loans on which the Act will have the greatest impact is about 5 percent;
- lenders are becoming more knowledgeable of the Act and understand how to navigate the rules by being more competitive, and
- lenders who pull out of New Jersey will leave great business opportunity to lenders who have already indicated plans to expand in New Jersey.

New Jersey residents deserve to have lenders who will offer the most competitive loans possible, not lenders who run away from competition. Lenders and brokers who want to compete deserve the support from their funding sources and the loan industry.

Our lenders and brokers can comply with the new law if the loan industry gives them a fair chance.

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